

Message Text

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71

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 COME-00 OMB-01 TRSE-00

SWF-02 TAR-02 STR-08 CEA-02 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 7079

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E.O. 11652: N/A

TAGS: ETRD, EAGR, HO

SUBJECT: HONDURAS SUGAR QUOTA

REF: STATE 096504

1. EMBOFF HAS SPOKEN WITH DONALDO SUAZO TOME OF AZUCARERA HONDURENA. THIS COMPANY KEY EXPORTER AT PRESENT TIME AND BROADLY KNOWLEDGEABLE ENTIRE INDUSTRY. SUAZO TOME NOT UPSET ABOUT 15,000 TON FIXED QUOTA. HE STATES HONDURAN PERFORMANCE UNDER QUOTAS HAS LEFT MUCH TO BE DESIRED. EMBASSY PRESUMES THAT COMPANY THEREFORE WILL NOT BRING PRESSURE ON GOH FOR MODIFICATION HOUSE SUBCOMMITTEE PROPOSED TREATMENT OF HONDURAS.

2. NONETHELESS, EMBASSY, ON BASIS FOLLOWING POINTS, SUGGESTS THAT LEGISLATION COULD ADVANTAGEOUSLY REFLECT POSSIBILITY OF CHANGE FOR HONDURAS DURING THE RATHER LONG FIVE-YEAR PERSPECTIVE.

3. HONDURAN INABILITY TO MEET QUOTA AND ADDITIONAL ALLOCATIONS IN 1973 AND 1972 DIRECTLY RESULTANT FROM DROUGHT CONDITIONS QUITE BEYOND CONTROL OF GOH.

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4. IMPORT OF SUGAR FROM CUBA IN 1973 A DESPERATION MEASURE TO SUPPLY INTERNAL MARKET. REVIEW OF TRAFFIC OF SEPT./OCT. 1973 SHOWS THAT NO ALTERNATIVE SOURCE OF SUPPLY WAS AVAILABLE THROUGH EITHER THE ASSISTANCE OF THE USG OR THROUGH ADJACENT COUNTRIES. NO SUGAR WAS AVAILABLE ON A "REPAYMENT IN KIND" BASIS AND WORLD MARKET PRICES WERE CONSIDERABLY ABOVE THOSE OFFERED BY CUBAN SUPPLIERS.

5. HONDURAS HAS BEEN SLECTED BECAUSE OF ITS CONDITIONS OF POVERTY WITHIN CENTRAL AMERICA AND LATIN AMERICA FOR INTENSIVE PROGRAMS UNDER INTERNATIONAL AGENCIES INCLUDING AID. HONDURAN EFFORTS AT INCREASED PRODUCTION CONTAIN STRONG ELEMENTS OF PERSPECTIVE INCREASES IN SUGAR FOR EXPORT. THIS POTENTIAL CAN BE SEEN IN EXPANSION OF EXISTING SUGAR REFINING FACILITIES AND THE CREATION OF NEW PLANTS SUCH AS BEING INVESTIGATED BY GULF AND WESTERN IN THE AGUAN VALLEY.

6. GIVEN THE FIVE-YEAR TIME PERSPECTIVE, THE EMBASSY CAN PERCEIVE OF A SITUATION IN WHICH THE POTENTIAL PRODUCTIVITY FOR SUGAR EXPORTS OF HONDURAS WOULD BUMP AGAINST THE 15,000 TON CEILING. IT IS IMPOSSIBLE TO ANTICIPATE MARKET CONDITIONS AND THE RELATIVE ADVANTAGE OF SALES INTO THE U.S. UNDER A QUOTA SYSTEM AS COMPARED WITH FREE MARKET SALES. NONETHELESS, IT IS THE EIMBASSY'S RECOMMENDATION THAT NOTE BE TAKEN IN THE LEGISLATIVE HISTORY OF THE POTENTIAL INCREASE OF OUTPUT OF HONDURAS WHICH MIGHT BE ACCOUNTED FOR IN TWO OR THREE YEARS TIME.

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